

STATE OF MICHIGAN
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July 30, 2001

Richard L. Miles, Director
Office of Dispute Resolution
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Dear Mr. Miles:

In its July 12, 2001 Order on the Alliance Companies RTO Filing, Docket No. RT01-88-000, *et al* ("July 12 Order") the Commission directed the "Alliance Companies and the parties"¹ to develop an acceptable stakeholder process which addressed the concerns which have previously been expressed by the state commissions and other parties to this docket. These concerns include the lack of collaboration and opportunity for meaningful input into the process, the fact that a formal stakeholder process is needed before the RTO becomes operational, and the immediate need for independence in decision-making.²

The Commission offered the services of your office to assist the parties in developing an acceptable stakeholder advisory committee process and structure. In light of the disappointing past performance of the Alliance transmission owners in their efforts to relate to stakeholders, and the fact that a week after the July 12 Order was issued, no party had heard anything from the Alliance companies, on July 17, 2001, Janet C. Hanneman of the Michigan Public Service Commission staff called you on behalf of six state commissions to informally request the assistance of your office.

After this request, several things happened. First, you contacted Becky Bruner, Counsel to the Alliance transmission owners, to notify her of our request. Second, on July 20, 2001, the Alliance Companies posted on their website a "Process to Establish the Alliance Advisory Committee," which they developed without consultation with stakeholder groups. Third, Ms. Bruner contacted Ms. Hanneman to ascertain if, after having reviewed the Advisory Committee process posted by the Alliance, the state commissions would agree with the Alliance transmission owners that the involvement of the Office of Dispute Resolution would not be required.

¹ July 12 Order, mimeo at p. 39

² See July 12 Order, mimeo at pp. 39 and 13: "We are concerned that business decisions prior to implementation of an Alliance RTO are being made by Alliance Companies. Therefore, we direct Alliance Companies to decide which of the alternative business plans proposed they intend to implement within 45 days of the date of this order. We further direct that from the date of this order an independent board be established to make all business decisions for the RTO. Until final RTO approval is granted, a stakeholder advisory committee should advise the independent board."

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The undersigned state commissions have reviewed the Alliance's proposed Advisory Committee structure and process and have heard reactions of several of the stakeholder representatives.

It is our view that in spite of the fact that the Alliance representatives obviously put some thought into the design of their process, it remains "their" process and not one that was designed in collaboration with the other parties. In addition, although the process responds to some of the proposals formally filed by parties in this docket, it fails to respond to others. Most importantly however, the posted process fails to comply with the July 12 Order's directive that the stakeholder advisory committee advise the independent board, which was to have been established as of the date of the order. The Alliance Companies' posted process, on the other hand, has the Advisory Committee advising "the members of the Alliance Participants Administrative and Start-up Activities Company, LLC (Alliance Bridgeco)." The Alliance Companies' failure to establish the independent board is a fatal flaw to their posted advisory process.

Therefore, although we understand that the Alliance transmission owners are resistant to your involvement, we are submitting this formal request for the assistance of your office in bringing the parties together at your earliest convenience to proceed with the development of an Alliance stakeholders' advisory process that is acceptable to all parties.

Thank you for your willingness to undertake this task. We look forward to working with you and the other parties to achieve a swift resolution to this problem.

Sincerely,

MICHIGAN PUBLIC SERVICE
COMMISSION

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And on behalf of:
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Illinois Commerce Commission
Public Utilities Commission of Ohio
Kentucky Public Service Commission
Pennsylvania Public Utility Commission
West Virginia Public Service Commission